



(Translation)

MD. 170/2019

November 13, 2019

Re: Management Discussion and Analysis
For the Operating Results ended September 30, 2019

To: President
The Stock Exchange of Thailand

Management Discussion and Analysis For the Operating Results ended September 30, 2019

In Q3/2019, the amount of aviation fuel services volume at BKK and DMK totaling up to 1,499 million liters, which have the growth rate of 2.6%(y-o-y) while the total flights increased by 1.3%(y-o-y) to 75,879 flights. For the nine months of 2019, the growths of aviation fuel services volume and total flights of thus two main airports were 2.4% (y-o-y) and 1.7%(y-o-y) respectively with consequences to the growth of tourism industry of Thailand. During the passengers who travel through BKK and DMK were 79.3 million passengers, increasing by 2.1% (y-o-y) from 77.7 million passengers in the nine months of 2018.

For the total multi-products fuel transportation volume of FPT was decreased by 1.1%(y-o-y) to 1,089 million liters and for the nine months of 2019, the growths of multi-products fuel transportation volume was decreased by 1.1%(y-o-y) to 3,413 million liters.

	Q3/2019	Q3/2018	Q2/2019	Growth		9M/2019	9M/2018	Growth
				(y-o-y)	(q-o-q)			(y-o-y)
Aviation Refuelling Services Business :								
Aviation Fuel Volume (million litres)	1,499	1,461	1,451	2.6%	3.3%	4,562	4,453	2.4%
Flights	75,879	74,917	74,601	1.3%	1.7%	230,015	226,073	1.7%
Fuel Pipeline Transportation Business :								
Multi-products Fuel Volume (million litres)	1,089	1,101	1,173	(1.1%)	(7.2%)	3,413	3,452	(1.1%)

* Note: Total Flights was data of flights that serviced by BAFS only at BKK and DMK

Total revenue of Q3/2019 of the Group was Bt957.1 million increased by Bt16.6 million or 1.8%(y-o-y) and the services income was of Bt939.0 million increased by Bt10.1 million or 1.1%(y-o-y). The total revenue of the nine months of 2019 totaled to Bt2,937.4 million, increased by Bt93.8 million or 3.3% compared to the same period of 2018 which of Bt2,843.6 million and the services income was of Bt2,868.8 million increased by Bt61.6



million or 2.2%(y-o-y). While the others income in Q3/2019 and in the nine months of 2019 were of Bt18.1 million and Bt68.6 million which increased by 56.0%(y-o-y) and 88.5% (y-o-y) respectively.

Due to the growth rate of total revenue in Q3/2019 was of 1.8%(y-oy) while the growth rate of total expenses was of 13.9%(y-o-y), then the Net profit attributable to Equity holders of the Company in Q3/2019 and of the nine months of 2019 were of Bt255.7 million and Bt779.7 million which decreased by Bt48.9 million or 16.1%(y-o-y) and decreased by Bt89.8 million or 10.3%(y-o-y), representing Net profit margin of 26.9% and 27.5% respectively. Thus have earnings per share of Bt0.40 and Bt1.22.

In Q3/2019 and the nine months of 2019, the Group has been affected by According to the Labor Protection Act (No. 7), BE 2562, additional compensation rates have been imposed in the event that employers terminate employment for employees who have worked for 20 years or more to be entitled to compensation not less than the final rate 400 days. This law is effective from May 5, 2019 onwards. Such change is considered a revision of the project for the post-retirement benefit program. And has the effect that the Group has a provision for long-term employee benefits of Bt80 million which will record the effect of such change by recognizing the past service costs as expenses in the income statement. Further, it was also a result of the FPT having recognized an increase in depreciation of the NFPT project during the period of Bt46.8 million.



Table summarized the operating results of the Group

(unit : Bt million)

	Q3/2019	Q3/2018	Q2/2019	Growth		9M/2019	9M/2018	Growth
				(y-o-y)	(q-o-q)			
Services income	939.0	928.9	930.3	1.1%	0.9%	2,868.8	2,807.2	2.2%
Others income	18.1	11.6	18.7	56.0%	(3.2%)	68.6	36.4	88.5%
Total revenues	957.1	940.5	949.0	1.8%	0.9%	2,937.4	2,843.6	3.3%
Costs of service	431.3	381.2	486.2	13.1%	(11.3%)	1,305.2	1,174.1	11.2%
Administrative expenses	138.9	119.2	191.0	16.5%	(27.3%)	478.2	398.8	19.9%
Total expenses	570.2	500.4	677.2	13.9%	(15.8%)	1,783.4	1,572.9	13.4%
EBIT	386.5	440.1	271.7	(12.2%)	42.2%	1,153.3	1,270.7	(9.2%)
EBIT Margin	40.4%	46.8%	28.6%			39.3%	44.7%	
Depreciation and amortization	176.7	141.9	151.0	24.5%	17.0%	466.7	420.2	11.1%
EBITDA	563.2	582.0	422.7	(3.2%)	33.2%	1,620.0	1,690.9	(4.2%)
EBITDA Margin	58.8%	61.9%	44.5%			55.2%	59.5%	
Finance cost	(62.7)	(34.8)	(41.5)	80.2%	51.1%	(136.4)	(104.6)	30.4%
Income tax expenses	(66.7)	(83.7)	(48.3)	(20.3%)	38.1%	(209.5)	(238.9)	(12.3%)
Profit for the period	257.1	321.6	181.9	(20.0%)	41.3%	807.4	927.2	(12.9%)
Net Profit to Equity holders of the Company	255.7	304.6	176.1	(16.1%)	45.2%	779.7	869.5	(10.3%)
Net Profit Margin	26.9%	34.2%	19.2%			27.5%	32.6%	
Earning per share (Bt)	0.40	0.48	0.28	(16.1%)	45.2%	1.22	1.36	(10.3%)

1.1 Revenue

For Q3/2019 and the nine months of 2019, total revenues of the Group were Bt957.1 million and Bt2,937.4 million which have increasing by 1.8%(y-o-y) and 3.3%(y-o-y) which comprised of ;-

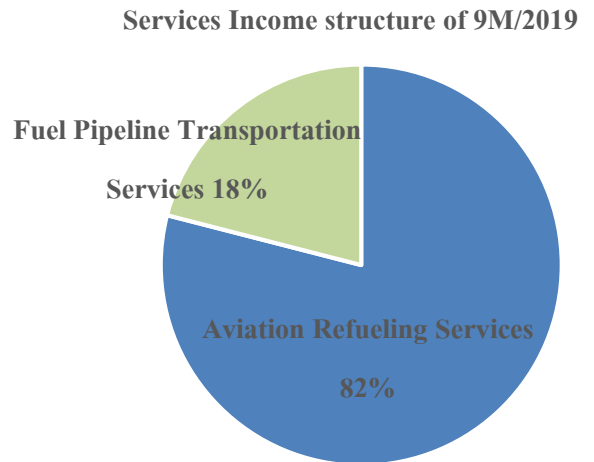
1.1.1 Services Income

The services income in Q3/2019 and the nine months of 2019 were Bt939.0 million and Bt2,868.8 million, increasing by 1.1%(y-o-y) and 2.2%(y-o-y) respectively.

For the income proportion separating by business structure consisted of Aviation refueling services at 82% and Fuel pipeline transportation services at 18% respectively.

1.1.2 Others Income

Others income in Q3/2019 and the nine months of 2019 were Bt18.1 million and Bt68.6 million which increased by 56.0%(y-o-y) and 88.5%(y-o-y) respectively. Due to the revenue from 1) contaminated fuel sales 2) fines from work delayed by the contractor 3) from sales of unused aviation refueling vehicles and 4) from fuel tank rental services.



1.2 Expenses

1.2.1 Cost of services

In Q3/2019, Cost of services was of Bt431.3 million, increased by Bt50.1 million or 13.1%(y-o-y), mainly due to the increasing in the direct labor costs, the depreciation from the FPT's multi-products fuel pipeline expansion project to the northern of Thailand (phase 1 or NFPT-phase1). The Gross profit margin of the Group was of 54.1% compared to 59.0% of Q3/2018.

While in the nine months of the year 2019, the Group had a Cost of services of Bt1,305.2 million, an increase of Bt131.1 million or 11.2%(y-o-y). Which is the increase in expenses mainly due to the increasing in the direct labor costs from the affected by the Labor Protection Act and the depreciation of NFPT-phase1, resulting in the gross profit margin of 54.5% compared with 58.2% of the same period of last year.

1.2.2 Administrative Expenses

In Q3/2019, the Group had administrative expenses of Bt138.9 million, an increase of Bt19.7 million or 16.5%(y-o-y). In the nine months of 2019, the Group had administrative expenses of Bt478.2 million, increased by 79.4 million or 19.9%(y-o-y), due to the increase in personnel expenses and consulting fees.

As a result, in the Q3/2019, the Group had expenses for cost of services and administrative expenses totaling Bt570.2 million, an increase of Bt69.8 million or 13.9%(y-o-y) and operating profit before financial costs, EBIT amounted to Bt386.5 million, a decrease of Bt53.6 million or 12.2%(y-o-), representing operating profit margin, EBIT Margin at 40.4% and EBITDA of Bt563.2 million which decreased by Bt18.8 million or 3.2% (y-o-y), representing an EBITDA Margin of 58.8%.



In the nine months of 2019, the Group had operating profit before finance costs and taxes (EBIT) of Bt1,153.3 million, a decrease of Bt117.4 million or 9.2%(y-o-y), which is the EBIT Margin at 39.3% compared to 44.7% in the same period of 2018. The EBITDA was Bt1,620.0 million, a decrease of Bt70.9 million or 4.2% (y-o-y), representing EBITDA Margin at 55.2% compared to the same period of 2018 at 59.5%.

1.2.3 Finances Cost

The financial expenses for Q3/2019 and the nine months of the year 2019 amounted to Bt62.7 million and Bt136.4 million, an increase of Bt27.9 million and Bt31.8 million or 80.2%(y-o-y) and 30.4%(y-o-y) respectively. Due to the Group started recognizing interest expenses on loans from the NFPT-Phase 1, Bang Pa-in – Phichit. While the interest arising from the loans for investment in the second phase of Hydrant pipeline system expansion project at BKK of TARCO and NFPT-Phase2, Kamphaeng Phet - Lampang will be capitalized in the projects' cost then would be amortized over the lifetime of the projects.

1.3 Operating Results

Net profit attributable to the Equity of the Company in Q3/2019 amounted to Bt255.7 million, a decrease of Bt48.9 million or 16.1%(y-o-y) and equivalent to earnings per share of Bt0.40. And in the nine months of the year 2019, the Group had net profit attributable to shareholders of the Company of Bt779.7 million, a decrease of Bt89.8 million or 10.3%(y-o-y) and accounted for earnings per share of Bt1.22. The net profit margin was of 26.9% and 27.5% respectively. Thus approximately 94% of the Net profit was derived from Aviation refueling services business and around 6% was derived from Fuel pipeline transportation business.

2. Report and Analysis of Financial Status

2.1 Assets

As of September 30, 2019 the Group had total assets at the amount of Bt17,093.5 million, increasing by Bt803.1 million or 4.9% from December 31, 2018. The important details of cash flow were as follows:



2.1.1 Cash and cash equivalent of Bt1,320.7 million which cash flow summarized for the period of nine months of 2019 were below;-

- The Group's net cash from operation was of Bt1,086.4 million, decreasing by Bt524.9 million or 32.6%
- Net cash for investment activities was of Bt1,127.9 million, decreasing by Bt2,420.8 million or 68.2% which Bt972.3 million were the investment in the expansion of the NFPT project and the second phase of Hydrant pipeline system expansion project
- Net cash used for financing activities was of Bt142.1 million, decreased by Bt1,918.1 million or 108.0%. Due to the Group had drawn down long-term loans for Bt1,203.7 million, while repayments of long-term loans and financial lease payment amounted to Bt218.5 million and dividend payment to its shareholders of Bt904.1 million

2.1.2 Property, leasehold improvement and equipment as of September 30, 2019 was of Bt12,345.3 million, increasing by Bt991.4 million or 8.7% from December 31, 2018

2.1.3 Project costs under concession agreements was of Bt1,505.9 million which comprise of Into-plane substation project, Aviation Fuel pipeline equipment, Concession of a subsidiary and Right to use leased land related to concession agreement

2.2 Liabilities

As of September 30, 2019, the Group had total liabilities of Bt9,337.2 million, increasing by Bt899.8 million or 10.7% from December 31, 2018. The total liabilities to total equity ratio was of 1.20:1 time and the Interest bearing debts to total equity ratio was of 0.98:1 time. The liabilities comprised of major items which follow;-

2.2.1 Account payable and others account payable was of Bt336.9 million

2.2.2 Long term loan from banks, which are due within one year, was of Bt464.1 million which were belonged to BAFS at the amount of Bt321.4 million, TARCO at the amount of Bt110 million, FPT at the amount of Bt30.5 million and BAFS-Intech at the amount of Bt2.2 million respectively



2.2.3 Long-term loans from banks were Bt7,147.4 million, increasing by Bt855.1 million from December 31, 2018 or 13.6%. These comprise of:-

BAFS

- Long-term loans was of Bt1,848.2 million due on April 30, 2026 with 3 years grace period and quarterly, principal repayment: Bt80.4 million/period (the last repayment will be made for remaining principal) at a fixed rate per annum

FPT

- Long term loan was of Bt95.5 million for the investment in the 3 Diesel Fuel Tanks project at DMK depot. The loan will be due on May 31, 2024 which was monthly principal repayment at Bt2.2 million at the rate of MLR minus percent of fixed rate per annum
- Long term loans was of Bt6,070.0 million and Bt230.0 million for the investment in the Northern Multi-Products Fuel Pipeline project which was quarterly principal repayment at MLR less fixed interest rate. The loans will be due on December 31, 2030 and 2026, respectively. FPT has drawn down the loan amounting to Bt4,988.3 million
- Long-term loans was of Bt10.1 million for use in Energy conservation projects. The loan will be due in March 2023 which was monthly principal repayment at Bt0.34 million at a fixed percentage per annum

TARCO

- Long term loan was of Bt137.5 million, which TARCO had a loan agreement for Bt550 million to invest in the Hydrant pipeline system expansion project Phase II at BKK. TARCO has been granted a 3 year grace period. The loan will be due on December 31, 2021 which was quarterly principal repayment at Bt27.5 million at the rate of BIBOR 3-month plus percent of fixed rate per annum

BAFS INTECH

- Long term loan was of Bt67.8 million. The loan will be due on April, 2028 which was three month principal repayment at Bt2.2 million at the rate of MLR minus percent of fixed rate per annum

2.2.4 Long-term debt of FPT under rehabilitation plan was of Bt4.7 million.

2.2.5 The Employee benefit obligations was of Bt1,120.9 million according to Labor Protection Laws as TAS no.19 on employee benefits.



2.3 Shareholders' Equity

As at September 30, 2019, total shareholders' equity was of Bt7,756.3 million, decreased from December 31, 2018 by Bt96.6 million or 1.2% which Bt6,383.3 million was Equity attributable to owners of the Company, decreased by Bt93.6 million or 1.4%.

Please be informed accordingly.

Yours sincerely,

Signed

(Mr. Prakobkiat Ninnad)

President